

Message Text

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15

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 OMB-01 STR-08 L-03 H-03 PA-04 PRS-01

USIA-15 TAR-02 NSC-10 SS-20 CEA-02 DRC-01 /170 W

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R 230911Z JAN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 552

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E.O. 11652: N/A

TAGS: EAGR, ETRD, US, RP

SUBJECT: PHILIPPINE REACTIONS TO SUGAR QUOTA INCREASES

REF: A. STATE 7003 B. STATE 8026

SUMMARY: IN MEETING WITH AMBASSADOR LEADING GOP SUGAR
OFFICIAL AND SUGAR INDUSTRY REPRESENTATIVES INDICATED

(1) PHILIPPINE INTENTION TO SEEK RETENTION AND IF
POSSIBLE EXPANSION OF PRESENT U.S. QUOTA AND ENTITLEMENTS;
(2) THAT PRODUCTION IN 1974 (WHICH NOW BEING AFFECTED BY
PROLONGED RAINS) MAY BE OFF SLIGHTLY. END SUMMARY

1. JANUARY 18 SPEECH BY AMBASSADOR TO SUGAR CLUB, WHOSE

MEMBERSHIP INCLUDES VIRTUALLY ENTIRE PHILIPPINE SUGAR
INDUSTRY, PROVIDED OPPORTUNITY TO GUAGE CURRENT THINKING
IN PHILIPPINE SUGAR SECTOR REGARDING FULFILLMENT OF
EXPANDING U.S. QUOTA AT BELOW-WORLD-MARKET PRICES.

2. SUGAR QUOTA ADMINISTRATOR JOSE UNSON LED OFF POST-
SPEECH DISCUSSION PERIOD BY OBSERVING THAT FOR PAST
THREE YEARS PHILIPPINES HAS FULFILLED ITS U.S. QUOTA WITH
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SHIPMENTS WHICH HAVE AVERAGED ABOUT 1,500,000 TONS YEARLY.

HE EXPRESSED HOPE THAT THIS WOULD BE REMEMBERED IN WASHINGTON AS QUOTA LEGISLATION IS CONSIDERED. AS THERE WERE NO FURTHER REMARKS OR QUESTIONS FROM FLOOR, AMBASSADOR THEN ASKED THREE QUESTIONS, FIRST OF WHICH WAS WHETHER DURING COMING THREE YEARS, IF WORLD PRICE REMAINS ABOVE U.S. PRICE, WHETHER QUALITY OF PHILIPPINE PERFORMANCE WILL BE AS IN PAST OR WHETHER THERE WOULD INSTEAD BE TEMPTATION TO MOVE INTO OTHER MARKETS.

3. AMBASSADOR'S QUESTION PRODUCED LAUGHTER AND MUCH NODDING OF HEADS IN ACKNOWLEDGMENT BY AUDIENCE THAT QUESTION IS ONE THEY ALSO CONSIDERING. UNSON IN REPLY, HOWEVER, STATED FIRMLY THAT PHILIPPINES REGARDS U.S. AS ITS PRIMARY SUGAR MARKET AND ALL OTHERS AS SECONDARY, THAT IT WILL FIGHT TO MAINTAIN AND IF POSSIBLE EXPAND ITS PRESENT QUOTA, AND THAT ONCE GIVEN A QUOTA, IT WILL GIVE FIRST PRIORITY TO FILLING IT. UNSON POINTED OUT THAT IN 1963 WHEN WORLD PRICES WERE TEMPORARILY HIGHER THAN U.S. PRICES, PHILIPPINES HAD FOREGONE SHORT TERM GAIN OF WORLD SALES IN ORDER TO HONOR ITS QUOTA COMMITMENTS. HE FURTHER OBSERVED THAT THE PHILIPPINES REGARDS PRESENT SITUATION AS TEMPORARY AND ABNORMAL, AND THAT BECAUSE OF ITS IMPORTANCE, THE PHILIPPINES CANNOT AFFORD TO LOSE U.S. MARKET.

4. UNSON STATEMENT APPEARS REPRESENT OFFICIAL GOVERNMENT THINKING AND INTENTIONS, AND MAJORITY OF INDUSTRY WOULD SUBSCRIBE TO IT AT THIS TIME. IN THIS CONNECTION, ONE OF LARGEST EXPORTERS TOLD AGATTACHE THAT WORLD PRICE FORCED HIGHER IN LAST FEW DAYS BY BRAZIL DECISION TO SUPPLY U.S. WITH SUGAR IT WOULD HAVE SOLD ON WORLD MARKET. DESPITE THIS RECOGNITION THAT WORLD MARKET IS THIN, THERE IS A MINORITY PHILIPPINE VIEWPOINT ADVOCATING WORLD MARKET SALES, AND NEWSPAPER ACCOUNT OF AMBASSADOR'S SPEECH QUOTES "OFFICIAL OF ONE OF LARGEST SUGAR DISTRIBUTORS" AS TAKING ISSUE WITH UNSON STATEMENT.

5. TURNING TO PRODUCTION, AMBASSADOR INQUIRED: A. WHETHER NEW INVESTMENT IN SUGAR LIKELY, AND B. WHETHER FERTILIZER UNCERTAINTIES MIGHT LEAD TO REDUCED OUTPUT. WHILE RESPONDENT TO FIRST QUESTION DID NOT RULE OUT NEW INVESTMENT, HE OBSERVED THAT LIMITED OFFICIAL USE

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SOME OF EXISTING MILLS HAD UNSATISFACTORY PROFITS AND THAT REAL NEED WAS NEITHER INCREASED ACREAGE NOR ADDITIONAL MILLS BUT RESTORATION OF HIGHER YIELDS FORMERLY PREVAILING. RESPONSE TO FERTILIZER QUERY INDICATED, HOWEVER, EXPECTATION OF SLIGHT REDUCTION IN OUTPUT IN COMING 1974-75 CROP YEAR, ASSUMING TO ACREAGE INCREASE. AVAILABLE FERTILIZER WOULD PROBABLY BE CONCENTRATED ON BEST LANDS. NEVERTHELESS, PHILIPPINES "SHOULDN'T BE EMBARRASSED" IN MEETING 1974

QUOTA OBLIGATIONS AS IT CAN IF NECESSARY DRAW ON 1974-75 CROP.

6. FERTILIZER QUESTION PRODUCED APPRECIATIVE NODS FROM AUDIENCE.
WHILE INDUSTRY HAS REPORTEDLY DONE FAIRLY EFFECTIVE JOB IN
LINING UP SUPPLIES, ITS COST IS INCREASING WORRY, PARTICULARLY
FOR SMALLER PLANTERS. BECAUSE 44 PERCENT OF PHILIPPINE SUGAR
PRODUCTION MUST BE SET ASIDE FOR DOMESTIC MARKET AND FOR
RESERVES AT CONTROLLED PRICE (STE IN 1972) EQUAL TO 5.4 CENTS
U.S. PER POUND, PLANTERS FEEL SQUEEZED AS INPUT COSTS RISE.
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